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Kinsale Capital Group (NYSE: KNSL)

BUY at $340.57. Fair value $390. I pound the table below $300. Downside case $224.

PRICE (10 JUL 26)	MARKET CAP	TRAILING P/E	PRICE / BOOK	10-YR MEDIAN P/B	OPERATING ROE
$340.57	$7.85B	15.0x	3.99x	6.61x	24.0%

THE BUSINESS

Some risks are too odd for a normal insurer: a trampoline park, a demolition contractor, a Florida roofer. Those go to the excess and surplus market, where the insurer writes its own policy wording and sets its own price. Kinsale is the low-cost operator there. It writes small, strange policies averaging about $12,200 each, faster and with fewer people than anyone else. Founder Michael Kehoe has run it since 2009 and owns roughly $300M of the stock.

THE SCREEN

I screened US names under $10B for return on invested capital above 15% sustained, capital intensity under 5% of revenue, net debt under 1.5x EBITDA, and under 30x trailing earnings. About forty companies cleared it. Almost all were fairly priced. I kept only the ones where I could name the specific belief that moved the price, and say why it is wrong.

THE MOAT

A unit-cost advantage. In a commodity business the low-cost producer sets the price floor.

- **No delegation.** Competitors hand underwriting to managing general agents and pay 15-25% overrides on top of broker commissions. Kinsale underwrites in-house and pays none.
- **Owned technology, no legacy stack.** It can profitably quote small accounts that competitors cannot serve economically.
- **In-house claims.** No third-party fees, and loss data feeds back into pricing.

The output: an internal expense ratio of **10.3%** against 30%-plus all-in loads for MGA-fronted competitors, and an accident-year ex-catastrophe combined ratio of 81.5% against 87-90% for the best public peers.

END MARKET AND ECONOMICS

US excess and surplus premium reached $90.3B in 2025. The market is softening, but unevenly, and the unevenness is the whole point.

Q1 2026 RATE CHANGE (CIAB)	CHANGE
Commercial property	-5.5%
Commercial auto	+5.8%
Umbrella	+4.8%
General liability	+2.6%
Small accounts (Kinsale's core)	**+1.1%**

A $5.1B investment portfolio against $1.97B of equity throws off net investment income growing 26.5%, an earnings stream independent of the underwriting cycle. Net debt is essentially zero.

WHAT THE MARKET IS MISSING

The market priced a deliberate retreat as a broken franchise. Q1 2026 produced the first gross-written-premium decline in company history, down 0.5%, and the stock de-rated from roughly 12x book to 3.99x, the cheapest in its public life. Consensus now forecasts next-year EPS *below* trailing EPS.

The entire decline sits in one division. Commercial Property fell 28.3%. That is large, layered placements where the buyer is price-driven, capacity is fungible, and a 10.3% expense ratio buys you nothing. It is the one line Kinsale writes where it has no edge, and renewal rates there fell 25-35%. **Excluding Commercial Property, premium still grew 6.0%, with submissions up 9% and bind orders up 9%.**

Kehoe is destroying his own reported growth rate rather than write business below his return hurdle, and the market is punishing him for it. A low-cost producer also gains share in a soft market: the MGA-fronted competitors who flooded in during the hard market carry 30%-plus expense loads, and those economics stop clearing as rates fall.

ORIGINAL ANALYSIS

- **I sized the expense moat from headcount, which is not in the 10-K.** Kinsale ended 2025 with 720 employees against $2.0B of premium, or **$2.78M of premium per employee**. RLI runs $1.68M per head and W.R. Berkley $1.75M. Kinsale writes roughly 1.6x the premium per person of either peer.
- **Glassdoor confirms the culture, counterintuitively.** Underwriters are the happiest cohort in the company, rating it 4.5/5 against 3.9-4.0 firm-wide, with compensation at 4.6/5 and 97% approving of Kehoe, while listing “higher than average production standards” as a con. If a low expense ratio were being extracted by grinding underwriters, the underwriters would be the angriest people in the building. Not one review mentions a premium quota.
- **Berkshire did the same thing.** Berkshire Hathaway's E&S property premium fell 22.7% in 2025 (S&P Global Market Intelligence). The most disciplined underwriter alive executed the same retreat, the same year, at nearly the same magnitude. This is not a Kinsale idiosyncrasy.
- **The arithmetic of walking away.** Risk Placement Services reported E&S property was priced only 7.5-10% above technical price. Rates then fell 20-30%. Writing that business is writing at a loss.

VALUATION

Normalized EPS of $19.75 for FY27, after haircutting reserve releases to a through-cycle 2.5 points and normalizing the catastrophe load.

METHOD	VALUE
19-21x normalized EPS	$375-415
Warranted P/B (20% ROE, 9.25% COE, 6% g)	$368
Triangulated	**$390**

At $340.57 that is a 13-15% discount, which is honest rather than exciting. It becomes a table-pounder near the 52-week low of $287, where the discount exceeds 25%. Bear case $224.

MANAGEMENT AND CAPITAL ALLOCATION

Kehoe founded the company in 2009, still runs it, and holds roughly $300M of stock. He has never made an acquisition, never diluted shareholders, and carries essentially no debt. On the Q1 call he reiterated a low-20s ROE hurdle as the constraint on growth.

Where I would push him: he repurchased stock at 4.4x book in Q1 2026. That cost about $2.10 per share of book value and is why book grew only 0.8% in a quarter with a 22.9% ROE. It is also an admission that he cannot deploy capital into underwriting at his hurdle rate.

WHAT WOULD BREAK THIS

The thesis-killer is casualty reserves, and I cannot resolve it from outside. Kinsale's casualty book roughly quadrupled between 2019 and 2024, which are precisely the accident years the industry is now strengthening. The industry booked $7.30B of adverse development in other liability in 2025, about $3B of it in accident years 2022 and 2023. Ryan Specialty's Chief Revenue Officer called excess-casualty reserve strengthening the “canary in the coalmine” in May 2026. Net reserves are $2,660M against $1,967M of equity, so a 10% adverse development event costs about 11% of book value and removes the reserve releases currently worth $2.55 per share a year.

The softening is migrating. Kinsale itself said in April 2026 that it is seeing “more aggressive competition in E&S construction” from fronts and MGAs on long-tail lines. The problem it escaped in property is arriving in casualty, where it earns most of its money.

And the underlying margin is eroding. Stripping out a light catastrophe quarter and a larger reserve release, the accident-year ex-cat combined ratio went from 79.8% to 81.5%, a 170bp deterioration. The headline improvement to 77.4% is not real.

What would prove me wrong: a casualty reserve charge, or ex-property premium growth falling below 5%.

Osarugue Sophia Ize-Iyamu · Sources: KNSL Q1 2026 10-Q, results release and earnings call (24 Apr 2026); FY25 10-K; S&P Global Market Intelligence via Insurance Journal (10 Apr 2026); CIAB Commercial P&C Market Index Q1 2026; Risk Placement Services via Insurance Business; The Insurer (24 Apr 2026, 20 May 2026); WSIA stamping office; Glassdoor; stockanalysis.com and Macrotrends headcount data. Prices at the 10 July 2026 close.